DEFENSE CONTRACT MANAGEMENT AGENCY

DCMA

ACQUISITION INSIGHT GLOBAL ENGAGEMENT

COMMERCIAL ITEM DETERMINATION & PRICING OVERVIEW

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GOAL

Develop enhanced capability within DCMA to meet buying office and internal DCMA requests for commercial item determination and pricing support; A (CID&P) "Cadre"

Stand-up of Organization as of 11 January 2015. Manpower being established to fulfill this goal and meet customer expectations.

Imperative: 2013 NDAA, Section 831(b)

Observations to Date

- **Commercial Item Determinations (CID)**
  - **More commercial "of a type" items are pushing boundaries of the definition**
  - **Prime contractors are prone to simply accept subcontractor commerciality assertions at face value**
  - **Assertions lack detail requiring numerous RFIs**
  - **Continuous contractor push-back to recommendations in government pricing reports on CID and Price Reasonableness is significantly delaying acquisitions**

- **Pricing**
  - **Subcontractors – particularly true commercial vendors – are not providing the information necessary to determine fair and reasonable prices**
  - **Low quantities of commercial sales raise concerns on price validation**
  - **Prices for high quantities of government purchases not reflective of expected volume discounts**
  - **Current historical data is often an issue**
  - **Heavy DoDIG interest**

AQKAP & What We Provide

- **Core Cadre is standing up now in St. Petersburg, FL**
- **Provide training, analysis and other assistance to the buying commands and agencies, as well as internal DCMA ACO's**
- **Direct PCO support for Commercial Item Determinations – Recommendations only!**
- **Market Analysis and Pricing Support**
- **Internal Cost & Pricing Center Technical Resources, with ability to leverage Navy Price Fighters as required**
- **Other Cost & Pricing Hubsites lend surge capacity as needed**

Commercial Team Where We Are

- **Initial plans call for 50 personnel**
- **Spread geographically to 5 locations besides St. Pete**
- **Will be a mix of Contracts and Pricing and Analysts**
- **Hiring will focus on both internal and external (Commercial) candidates**
- **Will still heavily rely on Operations ACOs and Pricing as the front line for both CID and Price reasonableness**

Locations

Tampa Bay

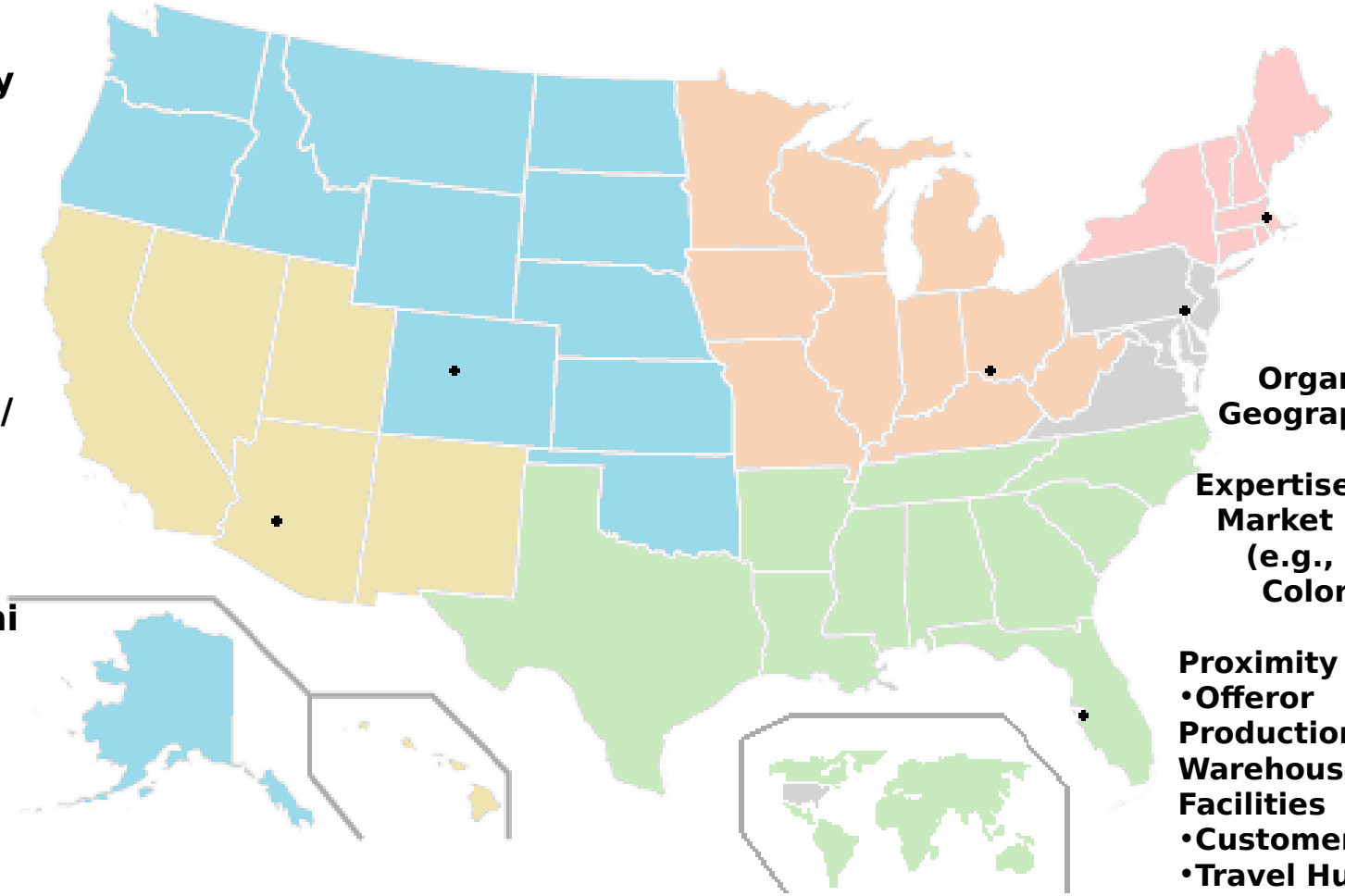
Denver/ Colorado Springs

Phoenix

Cincinnati/ Dayton

Boston

Philadelphia

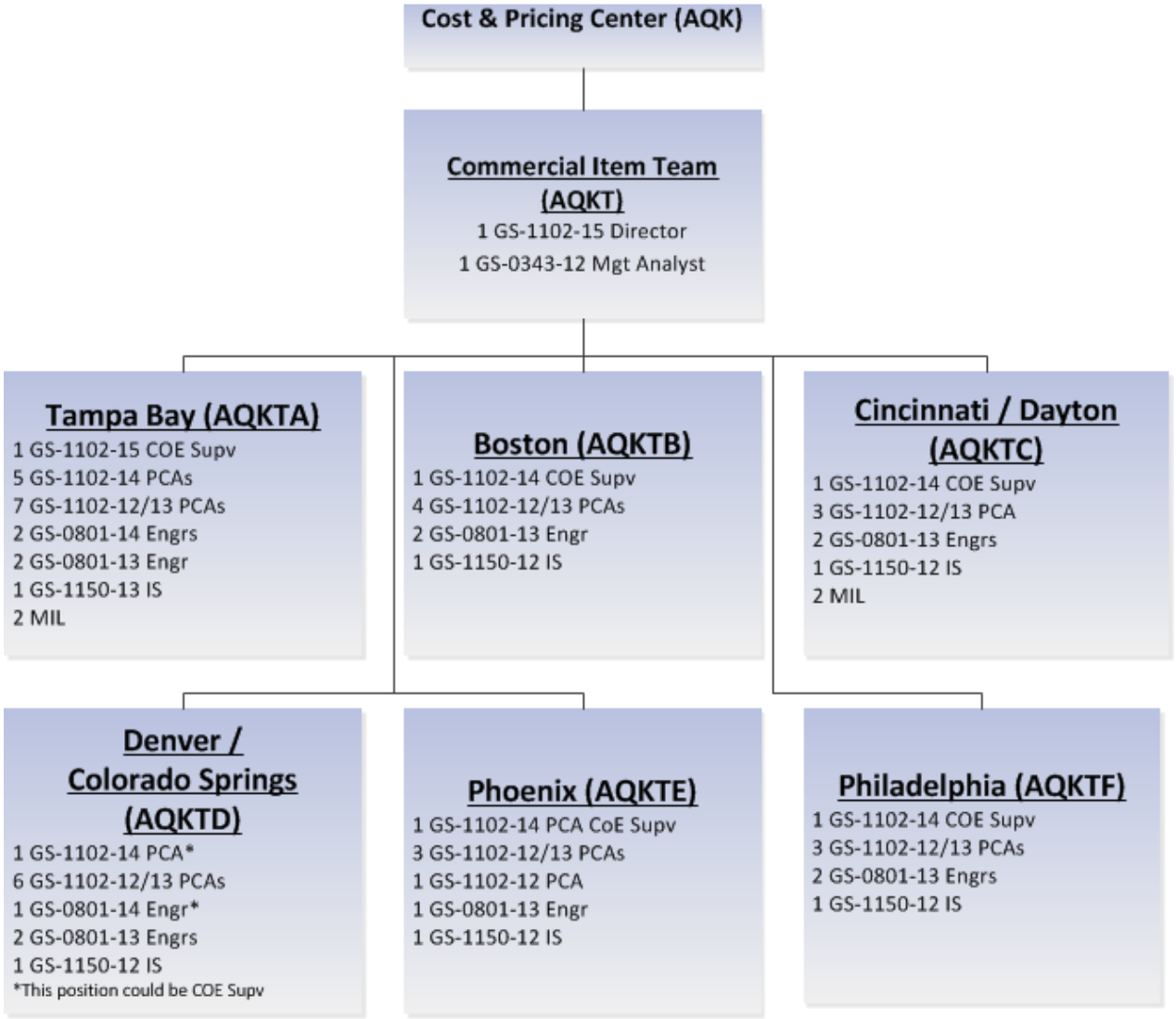


Organized Geographically

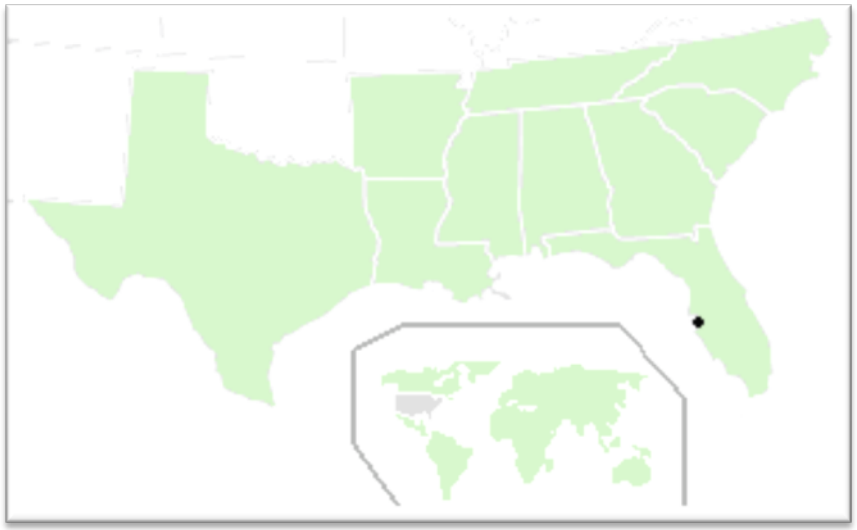
Expertise in Local Market Sectors (e.g., C4I in Colorado)

Proximity to:
- **Offeror Production/ Warehouse Facilities**
- **Customers**
- **Travel Hubs**
- **DCMA/DoD Facilities**

Standard Organization Chart



Locations: Tampa Bay



Major Customers: SOCOM, Redstone, Tinker, MacDill, Eglin, Robins, Huntsville

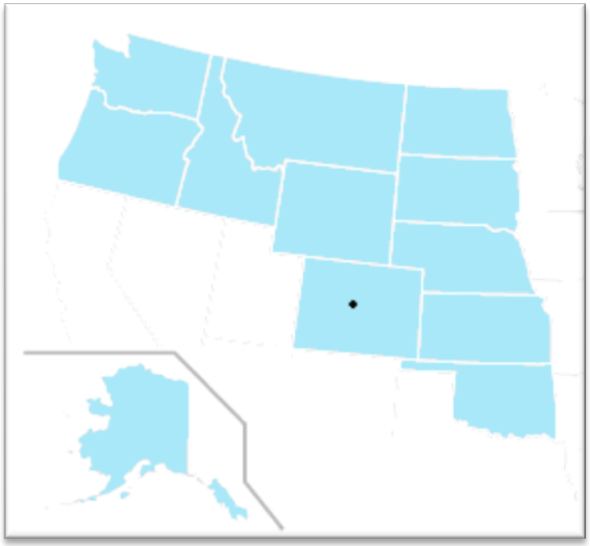
Commercial Market Sectors: Import/Export (6 of 10 $Top Ports), Manufacturing, Banking & Financial, Research Triangle

Traditional Defense Contractors: Harris, Fluor, Boeing, Northrop, Honeywell, Pall Aerospace, General Dynamics, Rockwell Collins, Bell Helicopter, L-3, Lockheed Martin

Other key considerations:

- Virtual AQ support from Dallas
- Media reports citing Saint Petersburg + foundational staff
- Existing facilities and resources
- Geographical impact on recruiting “experts”

Locations: Denver/Colorado Springs



Major Customers: Peterson, Buckley, Federal Civilian Agencies

Commercial Market Sectors:

Space (Colo), C4I (Colo), Aerospace (Colo / Wash)

Traditional Defense Contractors: Boeing, General Dynamics, Harris Corporation, SAIC, ITT, L-3 Communications, Lockheed Martin, Northrop Grumman, The Space Foundation

Other key considerations:

- U.S. Air Force Academy
- Geographical impact on recruiting “experts”
- Commercial airport hub

Locations: Phoenix

Major Customers: Edwards, Hill, Kirtland, SPAWAR

Commercial Market Sectors:

C4I; Misc. Manufacturing / Supply-chain; Marine (Cali); Agriculture; Import/Export (Cali)

Traditional Defense Contractors: General Atomics, Lockheed Martin, Raytheon, Boeing, Northrop Grumman

Other key considerations:

- # of manufacturing facilities / market sectors requires 2 in West
- Technology from CA is produced / warehoused in Four Corners
- Existing facilities and resources
- Commercial airport hub

Locations: Cincinnati / Dayton

Major Customers: Rock Island, Warren, DLA Land & Marine, Columbus, Wright-Patterson

Commercial Market Sectors:

Automotive; Aeronautics; Research & Development Institutions; Consumer Goods; Banking & Finance (Chic); Misc. Manufacturing

Traditional Defense Contractors: Boeing, Navistar Defense, Rockwell Collins, Oshkosh, GD Land Systems, Rolls Royce, GE Aviation

Other key considerations:

- Ease of recruitment, sources other than W-P AFB
- Commercial airport hub

Locations: Boston

Major Customers: Hanscom, Army Contracting Command, DLA Distribution

Commercial Market Sectors:

Technology Services; Chemicals & Materials (UpNY, Maine); Naval Transport; Biotechnology (Mass); Heavy Machinery (Mass)

Traditional Defense Contractors: L-3, United Technologies Corp., GE, Textron, Raytheon, Sikorsky, Lockheed Martin, Northrop Grumman, Pratt and Whitney, Hamilton Sundstrand, BAE Systems

Other key considerations:

- Massachusetts Institute of Technology
- Most accessible (geographic) to the greatest number of industrial bases
- Existing facilities and resources (incl. C/DACO Group)
- Commercial airport hub

Locations: Philadelphia

Major Customers: Aberdeen Proving Ground, DLA Aviation, NAVAIR, NAVSEA, NAVSUP, DLA Troop Support, DLA Energy

Commercial Market Sectors:

Technology Services; Naval Transport; Research & Development Institutions; Robotics; Pharmaceuticals

Traditional Defense Contractors: Boeing Rotorcraft, BAE, Honeywell, Lockheed Martin , General Dynamics, Northrop Grumman, Exelis, BAE Systems, Orbital ATK, DRS Technologies

Other key considerations:

- Anticipated overflow from Northeast Corridor (Boston) and Midwest (Ohio)
- Declining Maryland/Virginia Technology Corridors
- All other proposed locations comparably accessible to Newport News
- Most contractors in DC-MD-VA are HQ (v. production)

DCMA Technical Analysis Support for Commercial Acquisitions

DCMA Provides Technical Analysis and Contractor Oversight for Commercial Items Acquisitions

- Includes Should-Cost analysis, Technical Support to Negotiations and data from previous analyses via CBAR
- Analyze configuration changes against the commercial product
- Substantiate contractor's Commercial Item assertion with technical recommendations, cost rationale, and supporting data
- Reduce risk to Commercial Item acquisition

Seeking synergy through collaboration with other Agencies and Services to capture best practices and develop consistent processes.

DCMA Technical Analysis

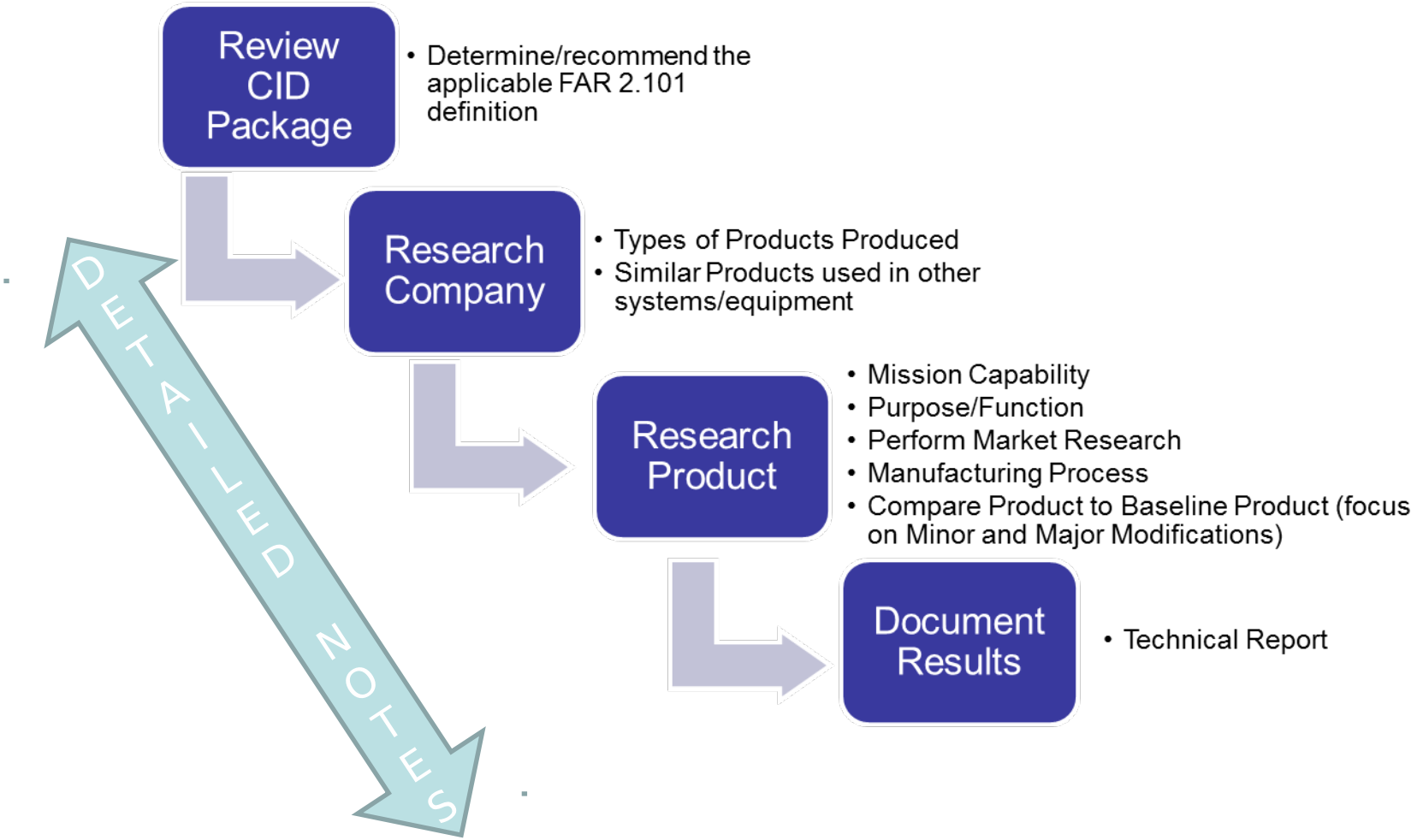
- **Technical Review Incorporates:**
  - **Mission Capability:**
    - Reference performance specifications that were used to document the "item(s)" mission capability/engineering requirement
  - **Comparison:**
    - Identify the Performance Characteristics of the item being purchased by US Government (Function)
    - Identify the Physical Characteristics of the item being purchased (Form, Fit - Function)
  - **Manufacturing process and any testing**
    - Identify Manufacturing process
    - Identify Testing procedures
    - Identify any unique features that may relate to item being purchased by US Government

NOTE: Item could be a part or a subsystem

DCMA Technical Analysis

For Official Use Only		If multiple items are needed to show the traceability from the baseline to the item being purchased then use as many columns as needed				
Criteria	Baseline Product/Item					Product/Item being purchased by US Gov't
PERFORMANCE Specs	*name of product/item*					*name of product/item*
list						
list						
list						
list						
PHYSICAL Characteristics						
list						
list						
list						

DCMA Technical Approach


Review CID Package
• Determine/recommend the applicable FAR 2.101 definition
Research Company
• Types of Products Produced
• Similar Products used in other systems/equipment
Research Product
• Mission Capability
• Purpose/Function
• Perform Market Research
• Manufacturing Process
• Compare Product to Baseline Product (focus on Minor and Major Modifications)
Document Results
• Technical Report
DETAILED NOTES

Technical Analysis of a CID package needs to focus on capability and function of product

Regulatory Update

- **New Proposed Rule 2013-D034 published 8-3-15**

- **Key Points:**
  - **Adds definition of "market based Pricing and "uncertified cost data"**
  - **Market based Pricing means nongovernment buyers are "preponderance" (≥ 50%) of sales**
  - **Nongovernment sales = nongovernment sale and for nongovernment purpose**
  - **Market based pricing is preferred method of establishing fair and reasonable**
  - **If relevant sales data reflecting market based is provided, the PCO shall not obtain cost data**
  - **Must consider market based pricing, age of data, volume, nature of acquisition, catalog (reflective in sales data) and T&Cs**
  - **PGI added to Identify "Cadre of Experts"**

AF Success Stories

- JDAM - commerciality/pricing for Aero Antenna, Honeywell, Rockwell Collins and Woodward
- Global Hawk - commerciality/pricing support for Rolls Royce engine sustainment
- Global Hawk - Republic of Korea (ROK) commerciality / pricing for Rolls Royce engine
- Small Diameter Bomb (SDB - Eglin AFB) - Aero Antenna, Honeywell and Woodward commerciality/pricing
- F117 engine sustainment - commerciality and pricing support for high visibility subcontract

AF Success Stories

- **F15 TACAN - detailed technical / commerciality review**
- **AF Cryptographic Center Pegasus KI-55 and Gryphon ASICS**

- **UPCOMING:**
  - **F117 engine sustainment, commerciality/pricing prime contract, sole source to Pratt & Whitney, currently awaiting submission of proposal -**
  - **Tinker AFB C130J - assistance through Eastern Hub for commerciality/pricing support for commercial subcontractors**
  - **Presidential Aircraft Recapitalization Program -**

Summary

QUESTIONS?